HB 201

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 201 (Delegate Edwards)
Appropriations Budget and Taxation

State Employees - Military Administrative Leave - Sunset Extension

This bill extends the June 30, 2004 termination date for military administrative leave for permanent employees in all branches of State government who were on active duty on July 1, 2003 or called to active duty on or after July 1, 2003.

The bill is effective June 1, 2004 and terminates June 30, 2005.

Fiscal Summary

State Effect: Increase in personnel expenditures of approximately $920,000 (all funds) for State agencies for FY 2005 only, assuming current patterns of deployment. The impact will vary by agency. No effect on revenues.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	$0	$0	$0	$0	$0
GF Expenditure	552,000	0	0	0	0
SF Expenditure	184,000	0	0	0	0
FF Expenditure	184,000	0	0	0	0
Net Effect	($920,000)	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 389 of 2003 allowed State employees who serve in the military to receive paid leave while on active duty; the leave is limited to the difference between a member's federal active duty base salary and State base salary or direct wages and may not exceed an employee's State salary. Eligible employees must elect to use the military administrative leave authorized by this bill or the fully paid military leave (up to 15 days) allowed under a separate provision of law. The Department of Budget and Management (DBM) must keep a record of the use of military administrative leave. The leave took effect July 1, 2003 and will terminate June 30, 2004. The leave does not apply to employees who are called by the Governor to active duty.

It is the policy of the State to continue health benefits for members of the National Guard called to active duty under Title 32, Title 10, or Article 65 and for military reservists called to active duty.

Background: Chapter 285 of 2002 permitted the Secretary of Budget and Management to permanently provide up to 15 days of leave with pay for employees on active military duty or military training in a reserve unit or in the organized militia (National Guard). It also allowed State employees called to active military duty on or after September 11, 2001 on unpaid leave to receive leave from the State employees' leave bank beginning on the date the employee began unpaid leave or January 1, 2002, whichever is later. In some instances, members called to active duty were receiving both a full State salary and their full military salary. The Budget Reconciliation and Financing Act of 2003 gave Chapter 285 an early sunset to reduce its significant fiscal impact.

According to a 2000 survey by the U.S. Department of Defense, 41% of reservists reported income loss during their most recent deployment, while 29% reported an income gain. Thirty percent reported no change. Certain groups reported greater losses of income on average. For example, physicians experienced a $9,000 average loss and self-employed reservists reported an average loss of $6,500. The average loss for senior officers was $5,000 versus $700 for junior enlisted members.

There are currently about 120,000 Army soldiers serving in Iraq, but that number is expected to drop to 105,000. However, the U.S. military has recently authorized an additional 30,000 Army troops for active duty globally.

At least two dozen states offer some type of paid military leave that ranges from 12 days (Kansas) to 34 days (per state fiscal year) in Massachusetts. Over half of these states provide 15 days of leave, including Hawaii, Colorado, Virginia, and Nevada.

State Expenditures: The bill would potentially apply to approximately 396 Executive and Judicial Branch employees who are members of the Maryland National Guard, as well as a minimal number of Legislative Branch employees and an unknown number of reservists in all branches, based on an average annual State salary of $41,261. The average State daily salary is approximately $113 per day. The average military base pay is $130 per day; therefore, *on average*, a differential would not be necessary. However, the State will have to compensate those employees whose federal pay is lower than their State pay.

DBM advises that approximately 250 State Executive Branch employees are on active duty. Of those employees, 150 have participated in the military administrative leave program since it began; 45 of those employees have returned from active duty. Currently 105 employees are receiving the difference between State and federal pay; DBM estimates that it provided $230,000 in military administrative leave (approximately $2,300 per employee) from July to September. If that amount remains constant, general fund expenditures would reach $920,000 for fiscal 2005.

While the full State salary for these employees is budgeted in fiscal 2005 and the provision of differential pay will not exceed that budgeted amount, the difference in pay is a potential reduction in savings for the State if the employees would otherwise be required to use unpaid leave.

The impact will vary considerably by agency. For example, 85 of the Military Department's civilian employees (about 25% of its labor force) are reservists or members of the Maryland National Guard. Other State agencies should not be materially affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Military Department, U.S. Department of Defense, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - February 2, 2004
ncs/mdr

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